

BENDLE PUBLIC SCHOOLS
BURTON, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 17, 2006

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bendle Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bendle Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 17, 2006 on our consideration of the Bendle Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bendle Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bendle Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

District Wide Financial Statements: (Continued)

These two statements report the Bendle Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2006 and 2005:

	<u>NET ASSETS SUMMARY</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$20,855,725	\$4,896,809
Non-Current Assets	<u>2,413,356</u>	<u>1,794,042</u>
<u>TOTAL ASSETS</u>	<u><u>\$23,269,081</u></u>	<u><u>\$6,690,851</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,767,269	\$1,362,886
Long-Term Liabilities	<u>16,200,873</u>	<u>851,582</u>
Total Liabilities	\$17,968,142	\$2,214,468
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,162,376	1,004,931
Restricted - Capital Projects	(77,077)	(136,470)
Unrestricted	<u>4,215,640</u>	<u>3,607,922</u>
Total Net Assets	<u><u>\$5,300,939</u></u>	<u><u>\$4,476,383</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$23,269,081</u></u>	<u><u>\$6,690,851</u></u>

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2006 and 2005, the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$860,203	\$814,663
Property Taxes Levied for Capital Projects	194,526	181,856
State of Michigan Unrestricted Foundation Aid	9,272,368	8,890,203
Other General Revenues	467,585	264,268
Total General Revenues	<u>\$10,794,682</u>	<u>\$10,150,990</u>
<u>Operating Grants:</u>		
Federal	1,548,045	1,997,583
State of Michigan	1,193,532	978,247
Other	97,864	83,894
Total Operating Grants	<u>\$2,839,441</u>	<u>\$3,059,724</u>
<u>Charges for Services:</u>		
Food Service	111,269	114,408
Athletics	35,778	31,563
Other Charges for Services	177,703	219,330
Total Charges for Services	<u>\$324,750</u>	<u>\$365,301</u>
Total Revenues	<u>\$13,958,873</u>	<u>\$13,576,015</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	7,366,270	8,224,927
Support Services	4,713,973	4,697,519
Community Services	127,695	139,700
Food Service	454,362	511,295
Athletics	221,321	216,883
Interest on Long-Term Debt	168,356	31,136
Depreciation	82,340	65,861
Total Expenses	<u>\$13,134,317</u>	<u>\$13,887,321</u>
<u>INCREASE IN NET ASSETS</u>	<u>\$824,556</u>	<u>(\$311,306)</u>
<u>BEGINNING NET ASSETS</u>	<u>4,476,383</u>	<u>4,787,689</u>
<u>ENDING NET ASSETS</u>	<u><u>\$5,300,939</u></u>	<u><u>\$4,476,383</u></u>

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2006, the District's Total Net Assets increased by \$824,556 to a total of \$5,300,939. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$157,445 during the year due to purchases of new capital assets exceeding depreciation and principal payments on related debt. The districts Unrestricted Net Assets increased by \$607,718 during the year and the restricted portion of the net assets increased by \$59,393. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$824,556. The total revenues increased by \$382,858. The major change was increases in property taxes, investment earnings and state aid. Expenditures decreased by \$753,004. Major changes in expenditures included the reduction of six (6) professional teaching staff, two (2) retirements and a reduction in equipment, supplies and materials.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$719,310 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$270,915; primarily due to increases property taxes, investment earnings and state aid. Expenditure and other financing uses decreased by \$736,336, which was primarily due to staff reductions and retirements. The major source of general fund revenues is state aid and taxes. An analysis of the sources is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
 - c. The District's non-homestead tax levy
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Bendle Public Schools foundation allowance was \$6,875 per student for the 2005-2006 school year.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2005-2006 was 1,497 students. An increase of 30 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.845 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$874,207. This represents an increase of \$ 63,242 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance	<u>Variance Actual & Final Budget %</u>
				<u>Original & Final Budget %</u>	
Revenue	\$12,814,052	\$13,112,555	\$13,133,887	2.33	0.16
Expenditures	13,347,513	13,042,397	12,414,577	2.29	4.81
<u>TOTAL</u>	<u>(\$533,461)</u>	<u>\$70,158</u>	<u>\$719,310</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bendle Public Schools amends its budget during the school year. The June, 2006 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Variances in the budgeted revenues from the original to the final budget was a result of (1) an increase in state aid which was not originally budgeted due to the unstable economy; (2) there was an unforeseen increase in enrollment, (3) the sale of East Bendle School property, and (4) additional grant awards.

Expenditures

Variances in the budgeted expenditures from the original to the final budget were due to several factors. (1) Budgeted projects and purchases were held in abeyance, (2) staff sick leave and maternity leave salaries were not recalculated, (3) approval of grant funds to offset general fund expenditures which were already budgeted, (4) adult and alternative education expenditures were lower than anticipated.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ANALYSIS OF BUDGETS:

Actual Results vs. Final Budgets

Revenues

The variance of .16 % in the revenues from the actual results versus the final budget of \$21,332 was due to additional interest earned.

Expenditures

The variance of 4.81% in the actual expenditures versus the final budget was the result of (1) anticipated expenditures in the adult and alternative education program, (2) adjustments to salaries and fringe benefits that were not included in the final budget and (3) anticipated expenditures prior to end of the fiscal year which did not occur.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-05	Increases 6-30-06	Principal Payments 6-30-06	Principal Balance 6-30-06
Durant Bonds	\$129,111	\$0	\$9,782	\$119,329
Building & Site Bonds	660,000	15,455,000	95,000	16,020,000
Installment Contract	0	112,379	74,249	38,130
Sick Days Payable	167,253	4,537	0	171,790
<u>Total Long-Term Debt</u>	<u>\$956,364</u>	<u>\$15,571,916</u>	<u>\$179,031</u>	<u>\$16,349,249</u>

Bendle Public Schools has issued General Obligation Bonds dated February 9, 2006, in the amount of \$15,455,000, bearing interest at rates varying from 3.50% to 5.00% per annum. These bonds were issued for the purpose of erecting, equipping and furnishing a new high school and related athletic facilities, acquiring, preparing, developing and improving the site, demolishing T.N. Lamb Middle School, remodeling, reequipping and refurbishing the existing high school building to provide for a middle school building. The balance of the bonds as of June 30, 2006 was \$15,455,000.

The District has an installment contract with Citizens Bank in the amount of \$218,901 for the purchase of fitness equipment. The contract requires annual payments of \$77,632 plus interest at 3.6% per annum. The contract expires July 15, 2006. The balance at June 30, 2006 was \$38,130.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$74,848 during the fiscal year. This can be summarized as follows:

	Balance 7-1-05	Additions	Deduction	Balance 6-30-06
Capital Assets	\$5,635,480	\$243,918	\$38,823	\$5,840,575
Less: Accumulated Depreciation	(3,841,438)	(169,070)	(38,823)	(3,971,685)
<u>Net Investment Capital Outlay</u>	<u>\$1,794,042</u>	<u>\$74,848</u>	<u>\$0</u>	<u>\$1,868,890</u>

The significant addition to fixed assets was the purchase of fitness equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,100 per pupil for the 06-07 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

The district's September 2006 enrollment is expected to increase by 9 students.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to increase to 17.74% in 06-07 from 16.34% in 05-06.

* The Bendle Public Schools 2006/2007 adopted budget is as follows:

<u>REVENUE</u>	\$13,200,336
<u>EXPENDITURES</u>	<u>13,121,553</u>
<u>NET OVER BUDGET</u>	<u>\$78,783</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office, Bendle Public Schools.

BENDLE PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$4,648,234
Investments	13,857,695
Accounts Receivable	15,572
Taxes Receivable	11,401
Due from Other Governmental Units	2,294,849
Inventory	13,760
Prepaid Expenses	14,214
Total Current Assets	<u>\$20,855,725</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	544,466
Capital Assets	5,840,575
Less: Accumulated Depreciation	<u>(3,971,685)</u>
Total Noncurrent Assets	<u>\$2,413,356</u>
<u>TOTAL ASSETS</u>	\$23,269,081
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	742,773
Accrued Expenses	367,088
Salaries Payable	509,032
Current Portion of Long-Term Obligations	<u>148,376</u>
Total Current Liabilities	<u>\$1,767,269</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>16,200,873</u>
<u>TOTAL LIABILITIES</u>	\$17,968,142
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,162,376
Restricted for:	
Capital Projects	(77,077)
Unrestricted	<u>4,215,640</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$5,300,939</u></u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$7,366,270	\$0	\$2,300,639	(\$5,065,631)
Support Services	4,713,973	115,370	159,613	(4,438,990)
Community Services	127,695	62,333	0	(65,362)
Food Service	454,362	111,269	379,189	36,096
Athletics	221,321	35,778	0	(185,543)
Interest on Long-Term Obligations	168,356	0	0	(168,356)
Depreciation - Unallocated	82,340	0	0	(82,340)
<u>TOTALS</u>	<u>\$13,134,317</u>	<u>\$324,750</u>	<u>\$2,839,441</u>	<u>(\$9,970,126)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,054,729
State Aid				9,272,368
Grants and Contributions Not Restricted to				
Specific Programs				42,810
Investment Earnings				183,167
Miscellaneous				241,608
Total General Revenues and Transfers				<u>\$10,794,682</u>
Change in Net Assets				<u>\$824,556</u>
Net Assets - Beginning				<u>4,476,383</u>
<u>Net Assets - Ending</u>				<u>\$5,300,939</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	General Fund	Sinking Fund Capital Projects	2006 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$3,153,601	\$109,488	\$1,122,641	\$262,504	\$4,648,234
Investments	0	0	13,857,695	0	13,857,695
Accounts Receivable	15,572	0	0	0	15,572
Taxes Receivable	10,244	1,157	0	0	11,401
Due from Other Funds	187,722	0	0	0	187,722
Due from Other Governmental Units	2,291,835	0	0	3,014	2,294,849
Inventory	0	0	0	13,760	13,760
Prepaid Expenses	14,214	0	0	0	14,214
<u>TOTAL ASSETS</u>	<u>\$5,673,188</u>	<u>\$110,645</u>	<u>\$14,980,336</u>	<u>\$279,278</u>	<u>\$21,043,447</u>
<u>LIABILITIES</u>					
Accounts Payable	\$688,083	\$0	\$53,857	\$833	\$742,773
Due to Other Funds	0	187,722	0	0	187,722
Accrued Expenses	198,449	0	0	0	198,449
Salaries Payable	509,032	0	0	0	509,032
Total Liabilities	\$1,395,564	\$187,722	\$53,857	\$833	\$1,637,976
<u>FUND BALANCES</u>					
Reserved For:					
Inventory	14,214	0	0	13,760	27,974
Capital Projects	0	(77,077)	14,926,479	0	14,849,402
Unreserved:					
Undesignated, Reported In:					
General Fund	4,263,410	0	0	0	4,263,410
School Service Funds	0	0	0	264,685	264,685
Total Fund Balances	\$4,277,624	(77,077)	\$14,926,479	\$278,445	\$19,405,471
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$5,673,188</u>	<u>\$110,645</u>	<u>\$14,980,336</u>	<u>\$279,278</u>	<u>\$21,043,447</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2006

Total Governmental Fund Balances:		\$19,405,471
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$5,840,575 and the accumulated depreciation is \$3,971,685		
		1,868,890
Construction in Progress		544,466
Accrued Interest on Long-Term Debt		(168,639)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$16,139,329	
Note Payable	38,130	
Sick Days Payable	171,790	
Total Long-Term Liabilities		<u>(16,349,249)</u>
<u>TOTAL NET ASSETS -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		<u>\$5,300,939</u>

BENDLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Sinking Fund Capital Projects	2006 Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Local Sources	\$1,253,061	\$199,321	\$54,840	\$177,444	\$1,684,666
State Sources	10,429,318	0	0	36,582	10,465,900
Federal Sources	1,191,246	0	0	356,799	1,548,045
Total Revenues	\$12,873,625	\$199,321	\$54,840	\$570,825	\$13,698,611
<u>EXPENDITURES</u>					
Current:					
Instruction	7,365,504	0	0	0	7,365,504
Student Services	930,462	0	0	0	930,462
Instructional Support	851,760	0	0	0	851,760
General Administration	272,239	0	0	0	272,239
School Administration	842,889	0	0	0	842,889
Business Administration	25,680	0	0	0	25,680
Operation & Maintenance of Plant	1,185,972	0	0	0	1,185,972
Transportation	218,798	0	0	0	218,798
Support Services - Other	7,092	0	0	0	7,092
Community Services	127,695	0	0	0	127,695
Food Service & Athletics	0	0	0	676,393	676,393
Debt Service	0	0	0	14,192	14,192
Capital Outlay					
Building and Improvements	0	16,014	544,205	0	560,219
Other	0	123,914	261	0	124,175
Total Expenditures	\$11,828,091	\$139,928	\$544,466	\$690,585	\$13,203,070
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$1,045,534	\$59,393	(\$489,626)	(\$119,760)	\$495,541
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers from (to) Other Funds	(176,651)	0	0	176,651	0
Other Transfers	(149,573)	0	0	0	(149,573)
Bond Proceeds	0	0	15,685,605	0	15,685,605
Bond Issuance Costs	0	0	(269,500)	0	(269,500)
Total Other Financing Sources (Uses)	(\$326,224)	\$0	\$15,416,105	\$176,651	\$15,266,532
Net Change in Fund Balance	\$719,310	\$59,393	\$14,926,479	\$56,891	\$15,762,073
<u>FUND BALANCE - BEGINNING</u>	3,558,314	(136,470)	0	221,554	3,643,398
<u>FUND BALANCE - ENDING</u>	\$4,277,624	(\$77,077)	\$14,926,479	\$278,445	\$19,405,471

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Total net change in fund balances - governmental funds	\$15,762,073
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	74,848
Issuance of Bonds	(15,455,000)
Construction in Progress	544,466
Increase in Note Payable	(112,379)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	179,031
Change in accrued interest on long-term liabilities	(163,946)
(Increase) in accrued compensated absences	<u>(4,537)</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$824,556</u></u>

BENDLE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2006

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$124,741</u>
<u>TOTAL ASSETS</u>	<u>\$124,741</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$124,741</u>
<u>TOTAL LIABILITIES</u>	<u>\$124,741</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,085,103	\$1,196,340	\$1,253,061	\$56,721
State Sources	10,009,252	10,457,830	10,429,318	(28,512)
Federal Sources	1,532,032	1,190,501	1,191,246	745
Total Revenues	<u>\$12,626,387</u>	<u>\$12,844,671</u>	<u>\$12,873,625</u>	<u>\$28,954</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	8,801,428	7,598,565	7,365,504	233,061
Student Services	781,298	1,006,385	930,462	75,923
Instructional Support	610,324	917,609	851,760	65,849
General Administration	310,400	297,330	272,239	25,091
School Administration	834,807	895,653	842,889	52,764
Business Administration	28,499	31,068	25,680	5,388
Operation & Maintenance of Plant	1,189,791	1,231,718	1,185,972	45,746
Transportation	196,845	243,677	218,798	24,879
Support Services - Other	16,942	12,581	7,092	5,489
Community Services	0	179,456	127,695	51,761
Total Expenditures	<u>\$12,770,334</u>	<u>\$12,414,042</u>	<u>\$11,828,091</u>	<u>\$585,951</u>
Excess of Revenues Over Expenditures	<u>(\$143,947)</u>	<u>\$430,629</u>	<u>\$1,045,534</u>	<u>\$614,905</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(389,514)</u>	<u>(360,471)</u>	<u>(326,224)</u>	<u>34,247</u>
Net Change in Fund Balance	<u>(\$533,461)</u>	<u>\$70,158</u>	<u>\$719,310</u>	<u>\$649,152</u>
<u>FUND BALANCE - BEGINNING</u>			<u>3,558,314</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$4,277,624</u>	

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bendle Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Sinking Capital Projects Fund

The Sinking Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District audits of Bonded Construction Funds and of Sinking Funds in Michigan. Voters in the School District authorized 1.9812 mills on April 23, 2002 for ten years to be used for school facility improvements by the School District. The District is currently using this millage to pay the principal and interest payments due for the 2001 Building and Site bonds and facility renovations as appropriate.

Capital Projects Fund

The capital projects fund is used to account for the acquisition and construction of major facilities by the school district.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) COMPENSATED ABSENCES (Continued)

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

The District did not adopt a budget for the sinking fund capital projects fund or the 2006 capital projects fund.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the district had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Fixed Income Securities	<u>\$13,857,695</u>	<u>0.8617</u>	N/A	<u>100.00%</u>

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

4) DEPOSITS AND INVESTMENTS (Continued)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service. The District's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investors Service. The District's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$4,877,717 of the District's bank balance of \$5,080,726 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk. The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$124,741	\$ 4,772,975
Investments	<u>13,857,695</u>
<u>TOTAL</u>	<u>\$ 18,630,670</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 124,741
Cash – District Wide	4,648,234
Investments – District Wide	<u>13,857,695</u>
<u>TOTAL</u>	<u>\$ 18,630,670</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,882,526
Federal Grants	412,323
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,294,849</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006, the School District had \$9,946 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2006.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,867,556	\$0	\$38,823	\$3,828,733
Land Improvements	708,912	0	0	708,912
Equipment and Furniture	756,733	243,918	0	1,000,651
Vehicles	302,279	0	0	302,279
Totals at Historical Cost	\$5,635,480	\$243,918	\$38,823	\$5,840,575
Less: Accumulated Depreciation				
Buildings and Improvements	(2,745,651)	(53,226)	(38,823)	(2,760,054)
Land Improvements	(207,870)	(31,245)	0	(239,115)
Equipment and Furniture	(638,759)	(67,608)	0	(706,367)
Vehicles	(249,158)	(16,991)	0	(266,149)
Total Accumulated Depreciation	<u>(\$3,841,438)</u>	<u>(\$169,070)</u>	<u>(\$38,823)</u>	<u>(\$3,971,685)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,794,042</u>	<u>\$74,848</u>	<u>\$0</u>	<u>\$1,868,890</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 766
Support Services	61,657
Food Service	16,553
Athletics	7,754
Unallocated	<u>82,340</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 169,070</u>

10) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Bendle Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$202,096 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2006 was \$119,329.

B) 2001 General Obligation - Limited Tax

Bendle Public Schools issued 2001 general obligation - limited tax bonds for the purpose of renovating South Bendle Elementary and expand the existing parking lot.

The bonds are dated May 1, 2001 in the aggregate amount of \$990,000 and require annual payments of principal and interest. The interest rates range from 3.60% to 4.50% per annum. The principal balance at June 30, 2006 was \$565,000.

C) 2006 School Building and Site Bonds

Bendle Public Schools has issued General Obligation Bonds dated February 9, 2006, in the amount of \$15,455,000, bearing interest at rates varying from 3.50% to 5.00% per annum. These bonds were issued for the purpose of erecting, equipping and furnishing a new high school and related athletic facilities, acquiring, preparing, developing and improving the site, demolishing T.N. Lamb Middle School, remodeling, reequipping and refurbishing the existing high school building to provide for a middle school building. The balance of the bonds as of June 30, 2006 was \$15,455,000.

D) Installment Contracts

The District has an installment contract with Citizens Bank in the amount of \$218,901 for the purchase of fitness equipment. The contract requires annual payments of \$77,632 plus interest at 3.6% per annum. The contract expire July 15, 2006. The balance at June 30, 2006 was \$38,130.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

10) GENERAL LONG-TERM DEBT (Continued)

E) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2006 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2007	\$110,246	\$861,251	\$971,497
June 30, 2008	452,235	718,415	1,170,650
June 30, 2009	456,247	686,714	1,142,961
June 30, 2010	481,782	669,683	1,151,465
June 30, 2011	487,343	650,717	1,138,060
June 30, 2012-2016	2,001,476	2,999,500	5,000,976
June 30, 2017-2021	2,400,000	2,570,017	4,970,017
June 30, 2022-2026	3,000,000	2,018,224	5,018,224
June 30, 2027-2031	3,650,000	1,299,502	4,949,502
June 30, 2032-2035	3,100,000	387,500	3,487,500
<u>TOTAL</u>	<u>\$16,139,329</u>	<u>\$12,861,523</u>	<u>\$29,000,852</u>

The payment dates of sick and longevity days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2006, was \$33,324.

F) Changes in General Long-Term Debt

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Amount Due in One Year
<u>Governmental Activities:</u>					
Durant Bonds	\$129,111	\$0	\$9,782	\$119,329	\$10,246
Building & Site Bonds	660,000	15,455,000	95,000	16,020,000	100,000
Installment Contract	0	112,379	74,249	38,130	38,130
Sick Days Payable	167,253	4,537	0	171,790	0
<u>Total Governmental Activities</u>	<u>\$956,364</u>	<u>\$15,571,916</u>	<u>\$179,031</u>	<u>\$16,349,249</u>	<u>\$148,376</u>

11) INTERFUND ACTIVITY

Interfund balances at June 30, 2006 consisted of the following:

DUE TO	DUE FROM
	GENERAL FUND
Capital Projects Fund	<u>\$187,722</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

12) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL FUND
Athletics Fund	<u>\$176,651</u>

These transfers were made to subsidize the cost of services for athletics.

13) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2006, 2005 and 2004 were \$1,140,767, \$1,083,415 and \$951,847, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

14) RISK MANAGEMENT

The District is exposed to various risks of losses in conducting its operations, from property and casualty, theft, damages to various tort and liability claims, and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

14) RISK MANAGEMENT (Continued)

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

15) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are the Title I, Special Education Cluster and Nutrition Cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2006, have been conducted and have been reported in this audit report. However, the compliance audit report has not yet been accepted by the grantor. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

BENDLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	School Service Funds	Durant Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$262,504	\$0	\$262,504
Due from Other Governmental Units	3,014	0	3,014
Inventory	13,760	0	13,760
<u>TOTAL ASSETS</u>	<u>\$279,278</u>	<u>\$0</u>	<u>\$279,278</u>
<u>LIABILITIES</u>			
Accounts Payable	\$833	\$0	\$833
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	13,760	0	13,760
Unreserved:			
Undesignated, Reported In:			
School Service Fund	264,685	0	264,685
Total Fund Balances	278,445	\$0	278,445
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$279,278</u>	<u>\$0</u>	<u>\$279,278</u>

BENDLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	School Service Funds	Durant Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$177,444	\$0	\$177,444
State Sources	22,390	14,192	36,582
Federal Sources	356,799	0	356,799
Total Revenues	<u>\$556,633</u>	<u>\$14,192</u>	<u>\$570,825</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>176,651</u>	<u>0</u>	<u>176,651</u>
Total Revenues & Other Financing Sources	\$733,284	\$14,192	\$747,476
<u>EXPENDITURES</u>			
Food Service and Athletics	676,393	0	676,393
Debt Service			
Principal	0	9,782	9,782
Interest	0	4,410	4,410
Total Expenditures	<u>\$676,393</u>	<u>\$14,192</u>	<u>\$690,585</u>
Net Change in Fund Balance	\$56,891	\$0	\$56,891
<u>NET ASSETS - BEGINNING</u>	<u>221,554</u>	<u>0</u>	<u>221,554</u>
<u>NET ASSETS - ENDING</u>	<u>\$278,445</u>	<u>\$0</u>	<u>\$278,445</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$259,004	\$3,500	\$262,504
Due from Other Governmental Units	3,014	0	3,014
Inventory	13,760	0	13,760
<u>TOTAL ASSETS</u>	<u>\$275,778</u>	<u>\$3,500</u>	<u>\$279,278</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$833	\$833
<u>FUND EQUITY</u>			
Reserved for Inventory	13,760	0	13,760
Unreserved and Undesignated	262,018	2,667	264,685
Total Fund Equity	\$275,778	\$2,667	\$278,445
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$275,778</u>	<u>\$3,500</u>	<u>\$279,278</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$111,269	\$0	\$111,269
Athletic Activities	0	35,778	35,778
Interest	4,111	84	4,195
Other Local Sources	25,207	995	26,202
Total Local Sources	<u>\$140,587</u>	<u>\$36,857</u>	<u>\$177,444</u>
<u>State Sources</u>			
State Reimbursements	22,390	0	22,390
<u>Federal Sources</u>			
Federal Reimbursements	324,136	0	324,136
Commodities	32,663	0	32,663
Total Federal Sources	<u>\$356,799</u>	<u>\$0</u>	<u>\$356,799</u>
Total Revenues	<u>\$519,776</u>	<u>\$36,857</u>	<u>\$556,633</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	176,651	176,651
Total Revenues and Other Financing Sources	<u>\$519,776</u>	<u>\$213,508</u>	<u>\$733,284</u>
<u>EXPENDITURES</u>			
Salaries - Professional	146,155	129,472	275,627
Fica, Retirement, Etc.	34,901	30,840	65,741
Purchased Services	14,040	13,117	27,157
Supplies and Materials	264,998	33,628	298,626
Capital Outlay	2,404	0	2,404
Other	328	6,510	6,838
Total Expenditures	<u>\$462,826</u>	<u>\$213,567</u>	<u>\$676,393</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$56,950</u>	<u>(\$59)</u>	<u>\$56,891</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$218,828</u>	<u>\$2,726</u>	<u>\$221,554</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$275,778</u>	<u>\$2,667</u>	<u>\$278,445</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES FROMLocal Sources

Property Tax Levy	\$860,203
Earnings on Investments and Deposits	100,957
Tuition - Latch Key and Adult Education	62,333
Medicaid Fee for Service	24,874
Bridges Grant	72,990
Other Local Revenues	131,704
Total Revenues from Local Sources	<u>\$1,253,061</u>

State Sources

State Aid - Foundation - Sec. 20	9,272,368
Headlee	370,182
At Risk	412,595
Adult Ed	142,993
Vocational Education	1,733
MI School Readiness	108,900
Other State Grants	100,337
Durant Funds	20,210
Total Revenues from State Sources	<u>\$10,429,318</u>

Federal Sources

Title I	333,078
Title V	4,118
Technology Literacy	6,940
Improving Teacher Quality	120,508
Comp School Reform	267,810
Special Education - Preschool	25,032
Special Education Flowthrough	309,368
Even Start	10,725
Technology Literacy from Flint Schools	98,273
Medicaid	7,060
Other Grants from ISD	8,334
Total Revenues from Federal Sources	<u>\$1,191,246</u>
Total Revenues	<u>\$12,873,625</u>

OTHER FINANCING SOURCES

County Special Education Tax	100,370
Other Transfers	159,892
Total Other Financing Sources	<u>\$260,262</u>

<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u><u>\$13,133,887</u></u>
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BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTIONBASIC PROGRAMSSouth Bendle Elementary

Salaries - Professional	\$733,124
Salaries - Non-Professional	32,423
Insurances	120,168
Fica, Retirement, Etc.	192,214
Supplies and Materials	28,700
Total South Bendle Elementary	<u>\$1,106,629</u>

West Bendle Elementary

Salaries - Professional	690,991
Salaries - Non-Professional	34,260
Insurances	146,955
Fica, Retirement, Etc.	171,726
Supplies and Materials	38,920
Total West Bendle Elementary	<u>\$1,082,852</u>

Friel Elementary

Salaries - Professional	71,434
Insurances	2,130
Fica, Retirement, Etc.	17,056
Supplies and Materials	1,057
Total Friel Elementary	<u>\$91,677</u>

Middle School

Salaries - Professional	738,158
Salaries - Non-Professional	32,392
Insurances	162,603
Fica, Retirement, Etc.	190,097
Purchased Services	83,330
Supplies and Materials	30,767
Total Middle School	<u>\$1,237,347</u>

High School

Salaries - Professional	759,492
Salaries - Non-Professional	26,075
Insurances	162,728
Fica, Retirement, Etc.	206,135
Purchased Services	17,587
Supplies and Materials	56,393
Capital Outlay	76,113
Total High School	<u>\$1,304,523</u>

Total Basic Programs

\$4,823,028

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTION (Continued)ADDED NEEDSSpecial Education

Salaries - Professional	\$665,777
Salaries - Non-Professional	10,753
Insurances	112,815
Fica, Retirement, Etc.	160,995
Purchased Services	89
Supplies and Materials	5,933
Total Special Education	<u>\$956,362</u>

Compensatory Education

Salaries - Professional	252,730
Salaries - Non-Professional	715
Insurances	14,957
Fica, Retirement, Etc.	60,431
Supplies and Materials	98,558
Capital Outlay	112
Total Compensatory Education	<u>\$427,503</u>

Total Added Needs

\$1,383,865

ADULT/CONTINUING EDUCATION

Salaries - Professional	600,119
Salaries - Non-Professional	83,686
Insurances	169,922
Fica, Retirement, Etc.	158,545
Purchased Services	107,579
Supplies and Materials	34,079
Capital Outlay	972
Other	3,709
Total Adult/Continuing Education	<u>\$1,158,611</u>

Total Instruction

\$7,365,504

SUPPORT SERVICESSTUDENT SERVICES

Salaries - Professional	430,239
Salaries - Non-Professional	169,409
Insurances	66,977
Fica, Retirement, Etc.	140,595
Purchased Services	79,637
Supplies and Materials	43,605
Total Student Services	<u>\$930,462</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES (Continued)INSTRUCTIONAL STAFF

Salaries - Professional	\$204,221
Salaries - Non-Professional	218,784
Insurances	67,574
Fica, Retirement, Etc.	102,602
Purchased Services	211,672
Supplies and Materials	46,907
Total Instructional Staff	<u>\$851,760</u>

GENERAL ADMINISTRATION

Salaries - Professional	125,236
Salaries - Non-Professional	58,682
Insurances	16,047
Fica, Retirement, Etc.	39,579
Purchased Services	19,788
Supplies and Materials	4,733
Other	8,174
Total General Administration	<u>\$272,239</u>

SCHOOL ADMINISTRATION

Salaries - Professional	410,397
Salaries - Non-Professional	187,432
Insurances	104,453
Fica, Retirement, Etc.	139,475
Purchased Services	1,132
Total School Administration	<u>\$842,889</u>

BUSINESS OFFICE

Purchased Services	19,012
Other	6,668
Total Business Office	<u>\$25,680</u>

OPERATION & MAINTENANCE OF PLANT

Salaries - Non-Professional	173,886
Insurances	49,372
Fica, Retirement, Etc.	87,869
Purchased Services	492,643
Supplies and Materials	358,481
Capital Outlay	23,546
Other	175
Total Operation and Maintenance of Plant	<u>\$1,185,972</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES (Continued)TRANSPORTATION

Salaries - Non-Professional	\$108,429
Insurances	25,002
Fica, Retirement, Etc.	25,235
Purchased Services	30,682
Supplies and Materials	29,240
Other	210
Total Transportation	<u>\$218,798</u>

OTHER SUPPORT SERVICES

Salaries - Non-Professional	16
Fica, Retirement, Etc.	1
Purchased Services	6,952
Supplies and Materials	123
Total Other Support Services	<u>\$7,092</u>

Total Support Services	\$4,334,892
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COMMUNITY SERVICES

Salaries - Professional	27,791
Salaries - Non-Professional	76,062
Fica, Retirement, Etc.	23,554
Supplies and Materials	54
Other	234
Total Community Services	<u>\$127,695</u>

<u>Total Expenditures</u>	\$11,828,091
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OTHER FINANCING USES

Transfers to Other Districts	323,228
Other Transfers	8,993
Loan Payments	77,614
Transfer to Other Funds	176,651
<u>Total Other Financing Uses</u>	<u>\$586,486</u>

<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$12,414,577</u>
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BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2005	Receipts	Disbursements	Due to (From) Student Groups June 30, 2006
Administrative	\$7,288	\$4,966	\$4,720	\$7,534
Adult Ed - L. Weiss Fund	1,588	200	0	1,788
Adult Ed Scholarship	856	0	0	856
Alumni Funds	6,929	0	0	6,929
Atlantis - Prom Committee	236	1,814	845	1,205
Atlantis - Student Gov.	1,913	91	604	1,400
Atlantis - Yearbook	2,821	2,120	4,404	537
B.E.A. Library Fund	3,547	0	0	3,547
BHS Scoreboard Fund	250	0	0	250
Boys Youth Basketball	31	0	0	31
C. Russian Memorial Fund	9,325	11,350	8,399	12,276
Class of 2005	1,807	1,646	0	3,453
Class of 2006	1,724	901	2,964	(339)
Class of 2007	1,484	5,331	4,708	2,107
Class of 2008	1,155	1,908	1,150	1,913
Class of 2009	0	520	31	489
Community Ed. - Misc.	6,239	395	300	6,334
Corbett Memorial Fund	1,598	183	0	1,781
GAC League Student Council	1,397	0	0	1,397
Girls Youth Basketball	75	825	655	245
H.O.S.T.S.	2,310	409	0	2,719
HS - Band	336	0	88	248
HS - Baseball	151	0	0	151
HS - Basketball - Boys	16	1,944	676	1,284
HS - Basketball - Girls	445	1,650	560	1,535
HS - Careers	0	500	42	458
HS - Cheerleading	520	1,665	2,077	108
HS - Concessions	7,437	4,573	4,572	7,438
HS - Cross Country	110	300	280	130
HS - Drafting	261	0	0	261
HS - Drama	480	0	0	480
HS - Football	17	1,154	3,273	(2,102)
HS - Gator Account	208	0	0	208
HS - Library Club	217	0	0	217
HS - Math Club	156	0	117	39
HS - Office	4,627	6,692	6,212	5,107
HS - Office Co-Op	24	0	0	24
HS - Power Lifting - Girls	305	0	0	305
HS - Quiz Bowl	6	0	0	6
HS - Softball - Girls	0	427	0	427
HS - Spanish Club	913	0	0	913
HS - Student Council	1,453	86	1,572	(33)

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGANTRUST AND AGENCY FUNDSCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTSFOR THE YEAR ENDED JUNE 30, 2006

STUDENT ACTIVITY	Due to (From)	Receipts	Disbursements	Due to (From)
	Student Groups July 1, 2005			Student Groups June 30, 2006
HS - Teachers Lounge	\$507	\$0	\$0	\$507
HS - Technology	105	0	0	105
HS - Teen Advisory Council	113	0	0	113
HS - Track - Boys	21	100	0	121
HS - Track - Girls	12	0	0	12
HS - Vocal Music	6	0	0	6
HS - Volleyball	293	648	242	699
HS - Wrestling	1,696	568	0	2,264
HS - Yearbook	10	300	0	310
L.K. Westgate Memorial Fund	418	0	0	418
L.M.E.	210	4,874	4,541	543
Marketing Program	1,050	0	0	1,050
Michigan Mystics Scholarship	5,000	0	0	5,000
MS - Band	4	0	233	(229)
MS - Cheerleaders	86	0	400	(314)
MS - Girls Basketball	71	0	0	71
MS - Library Club	452	5,066	3,151	2,367
MS - N.J. Honor Society	3	152	165	(10)
MS - Office Activity	6,967	13,597	17,460	3,104
MS - Special Olympics	128	0	0	128
MS - Student Council	121	0	0	121
MS - Vocal Music	311	0	0	311
MS - Youth Advisory	43	0	0	43
National Honor Society	202	4,220	4,389	33
P. Ackerman Memorial Fund	335	0	0	335
Project Close Up	4,209	865	1,600	3,474
Projectionist Club/ SADD	23	0	0	23
S.A.D.D.	216	0	0	216
Service Learning	75	0	0	75
Shirley Card Memorial Fund	25	0	0	25
South Student Council	16,549	31,046	33,057	14,538
Unidentified Deposits	208	0	0	208
V. Jones Literacy Fund	500	0	0	500
West Library	355	2,274	2,645	(16)
West Music Boosters	490	657	628	519
West Office Fund	976	4,168	3,024	2,120
West Student Council	13,581	15,670	16,956	12,295
<u>TOTALS</u>	<u>\$125,626</u>	<u>\$135,855</u>	<u>\$136,740</u>	<u>\$124,741</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$202,096

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2007	\$10,246	4.761353%	\$3,944	\$14,190
2008	47,235	4.761353%	19,736	66,971
2009	11,247	4.761353%	2,945	14,192
2010	11,782	4.761353%	2,409	14,191
2011	12,343	4.761353%	1,848	14,191
2012	12,930	4.761353%	1,261	14,191
2013	13,546	4.761353%	645	14,191
<u>TOTAL</u>	<u>\$119,329</u>		<u>\$32,788</u>	<u>\$152,117</u>

DATE OF ISSUE - May 1, 2001

Original amount of issue - \$990,000

2001 GENERAL OBLIGATION LIMITED TAX BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT MAY 1</u>	<u>INTEREST REQUIREMENT NOVEMBER 1</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2007-2008	\$100,000	4.10%	\$12,180	\$12,180	\$124,360
2008-2009	105,000	4.20%	10,130	10,130	125,260
2009-2010	115,000	4.30%	7,925	7,925	130,850
2010-2011	120,000	4.40%	5,453	5,453	130,905
2011-2012	125,000	4.50%	2,813	2,813	130,625
<u>TOTAL</u>	<u>\$565,000</u>		<u>\$38,500</u>	<u>\$38,500</u>	<u>\$642,000</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

DATE OF ISSUE - February 9, 2006

Original amount of issue - \$15,455,000

2006 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT MAY 1</u>	<u>INTEREST REQUIREMENT NOVEMBER 1</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2007-2008	\$0		\$339,209	\$493,738	\$832,947
2008-2009	300,000	3.50%	339,209	339,210	978,419
2009-2010	330,000	3.50%	333,960	333,959	997,919
2010-2011	350,000	3.75%	328,184	328,185	1,006,369
2011-2012	350,000	3.75%	321,622	321,622	993,244
2012-2013	375,000	4.00%	315,060	315,059	1,005,119
2013-2014	375,000	4.00%	307,559	307,560	990,119
2014-2015	400,000	4.00%	300,060	300,059	1,000,119
2015-2016	400,000	4.00%	292,059	292,060	984,119
2016-2017	425,000	4.00%	284,059	284,059	993,118
2017-2018	450,000	4.00%	275,559	275,559	1,001,118
2018-2019	450,000	4.00%	266,559	266,559	983,118
2019-2020	475,000	4.10%	257,559	257,559	990,118
2020-2021	500,000	4.13%	247,822	247,822	995,644
2021-2022	525,000	4.20%	237,509	237,510	1,000,019
2022-2023	550,000	4.25%	226,484	226,484	1,002,968
2023-2024	575,000	4.30%	214,797	214,797	1,004,594
2024-2025	600,000	4.30%	202,434	202,435	1,004,869
2025-2026	625,000	4.38%	189,535	189,534	1,004,069
2026-2027	650,000	4.40%	175,862	175,862	1,001,724
2027-2028	675,000	4.50%	161,563	161,563	998,126
2028-2029	700,000	4.50%	146,375	146,375	992,750
2029-2030	725,000	4.50%	130,625	130,625	986,250
2030-2031	775,000	4.50%	114,313	114,313	1,003,626
2031-2032	775,000	5.00%	96,875	96,875	968,750
2032-2033	775,000	5.00%	77,500	77,500	930,000
2033-2034	775,000	5.00%	58,125	58,125	891,250
2034-2035	775,000	5.00%	38,750	38,750	852,500
2035-2036	775,000	5.00%	19,375	19,375	813,750
<u>TOTAL</u>	<u>\$15,455,000</u>		<u>\$6,298,602</u>	<u>\$6,453,133</u>	<u>\$28,206,735</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 17, 2006

To the Board of Education of
Bendle Public Schools

In planning and performing our audit of the financial statements of Bendle Public Schools for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Bendle Public Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

CURRENT YEAR FINDINGS

1. Budgeting Act

The District ended the fiscal year with a deficit of \$77,077 (negative fund balance) for the sinking fund capital projects fund.

FUTURE ISSUES

1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)
- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.
- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.



Bendle Public Schools

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August 17, 2006

FUTURE ISSUES (Continued)

2. GASB Statement No. 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Bendle Public Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



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Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Bendle Public Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS